Appendix V:
Financial/Economic/Parking Summary[1]

Introduction

Cincinnati's Riverfront has great potential to be a significant catalyst for the revitalization of the urban core and the economic development of the entire region. This sub-committee of the Riverfront Advisors Commission was responsible for recommending a conservative, fiscally responsible approach to maximizing this area's **long-term** development potential with consideration of some complex physical and financial issues. This sub-committee was also asked to determine how the public expenditures required for its recommended development program would be funded.

The recommendations and information provided in this report are the result of a collaborative effort between the RAC sub-committee, the staff of various departments of the City of Cincinnati, Hamilton County, and their consultants in the areas of parking, design, public finance, and economic and market analysis. During July and August 1999, these groups attended a series of meetings in which information was shared and solutions to the very complex issues surrounding this project were discussed.

We hope that this spirit of collaboration among these units of government and outside experts will continue into the implementation phase of this project because this cooperation and sharing of ideas is vital to maximizing the potential of our region's most visible and promising resource.

Purpose and Scope

The purpose of this report is to provide recommendations for Riverfront development that will ensure:

- That all projects within the development area will be financially successful long term.
- That Riverfront development contributes to the revitalization of the entire urban core.
- That significant public investment is leveraged to maximize and sustain private investment in the area.
- That public investment is made in a planned, conservative and fiscally responsible manner that considers the cost versus benefits of such investment.

[1] Prepared by the Riverfront Advisors Commission, September 30, 2001

To make these recommendations, the committee's study includes the following:

- Overall analysis of both the Central Riverfront Area (CRA) defined as the land south of Ft. Washington Way and between the two stadiums as well as the Third Street Development Area (Third Street) defined as the blocks adjacent to the primary Riverfront area between Third and Fourth Streets. The entire area in the scope of this report is referred to as the Riverfront Development Area (RDA).

- A development use program for each block of the Central Riverfront Area quantified in terms of ranges of units and/or square footages and an indication of phasing of the development program.

- Demand justification for each development category.

- An analysis of the development potential of sites located in the Third Street Development Area.

- A calculation of the parking requirements for all Riverfront uses including both stadiums as well as the proposed development program.

- An estimate of all public infrastructure costs and amenities required to support the public and private development programs.

- An analysis of the revenue generating potential of the proposed development program in both the Central Riverfront and Third Street Areas through TIF revenues and other City and County annual income sources.

- Identification of approaches for leveraging the public investment in the Riverfront Development Area to maximize private development contribution to infrastructure costs.

- Identification of other solutions and tools that have been successfully used in other cities to create and maximize riverfront development opportunity.

- Analyses from Riverfront Advisors Commission consultants Urban Design Associates (UDA) and Economic Research Associates (ERA).

Summary of Recommendations

The Committee's major recommendations are based on the following concepts and are supported by the information and analysis contained in later sections of this report.

- By adding just $52 million to the scope of total expenditures ($1.27 billion) currently budgeted for Riverfront development, and reallocating approximately $17 million of County funds for parking garages to the Third Street Development Area, the public's significant public investment will be maximized to create **nearly four times the economic development impact than it would otherwise**. As Schedule 1 indicates, the current plan for the Riverfront requires a $195.9 million public investment that will generate $159.1 million in private investment, a return of public investment of only 81%. The Riverfront Advisors Commission's recommended program requires a $247.9 million public investment. The resulting economic development impact, however, is $600.5 million, which is a return of public investment of 242%.

- It is very beneficial to use funds allocated to the Riverfront in a manner that also stimulates development along Third Street. By doing so, the economic impact described above is expanded and the fiscal benefits to the City and County increase significantly. Schedule 2 shows the tax benefits of the Riverfront Advisors Commission's plan to the City and County in terms of annual revenues (excluding property taxes) and the 20-year present value of these impacts. The 20-year present value of tax revenues to the City and County increases from $7.4 million to $36.8 million when the Third Street Area is stimulated as part of the RAC recommendations.

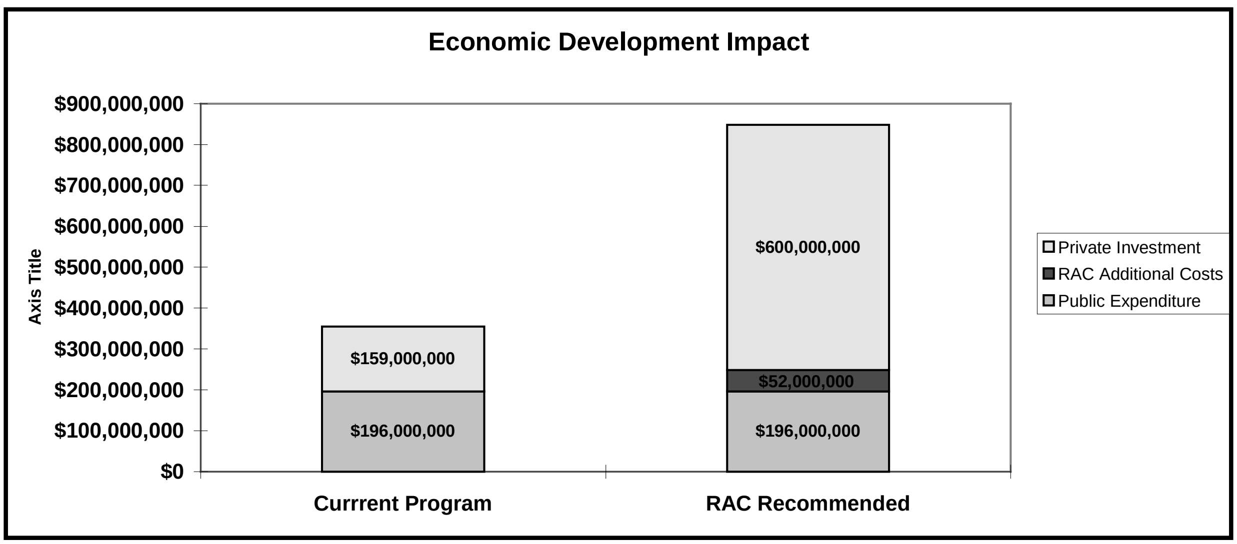
- The recommendations proposed below can be funded by a collaborative effort and pooling of resources among the City, County, and private sector institutions.

- The expenditures related to Riverfront Advisors Commission's plan are essential to create an environment in the Riverfront and linkages with the CBD that attracts quality development to the Riverfront and Third Street. The recommended plan also provides development flexibility to respond to the changes in market conditions likely to occur over a long development cycle.

- It is not in the region's best interest to program Riverfront development to solve short-term problems because such an approach significantly limits the CBD's long-term potential and viability.

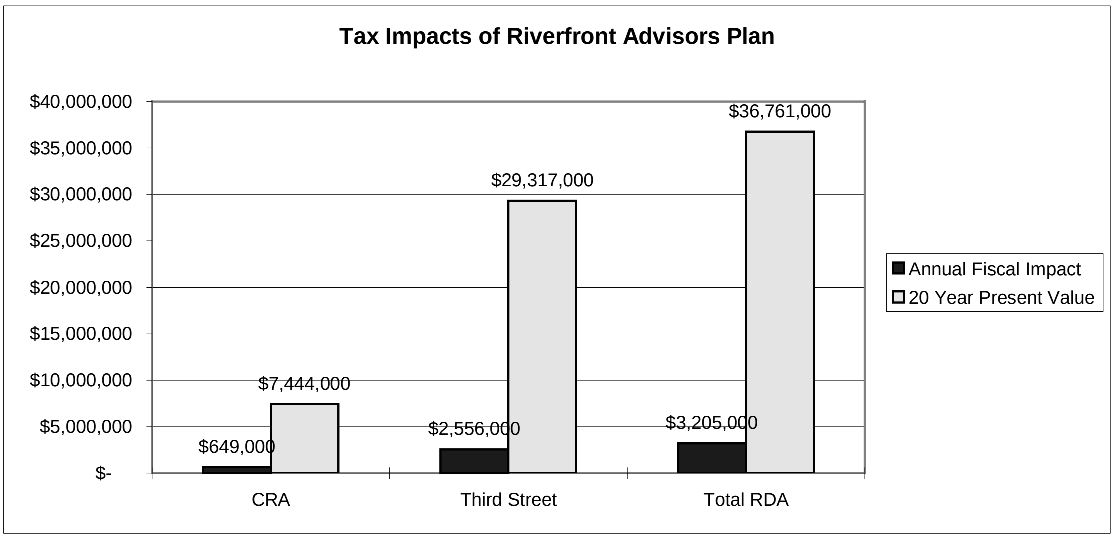
Riverfront Advisors Commission
Schedule 1
Summary - Economic Development Impact of RAC Plan

	Original Program			***Advisors' Recommended Program***		
Public Expenditure in Central Riverfront Area	**$ 196,000,000**			**$ 248,000,000**		
	Street Grid	$	46,000,000	Street Grid	$	46,000,000
	Utilities	$	15,000,000	Utilities		15,000,000
	Parking	$	135,000,000	Parking		135,000,000
	Total	$	65,000,000	***Subtotal***	***$***	***196,000,000***
				FWW Covers/Green Spaces	$	39,000,000
				Boardwalk at the Banks		8,000,000
				Public Green Space		5,000,000
				Subtotal	***$***	***52,000,000***
				Shift parking to Third Stret	***$***	***-***
Private Investment	**$ 159,000,000**			**$ 600,000,000** $ 600,000,000		
Return of Public Investment (ROPI)	**81%**			**242%**		



Riverfront Advisors Commission
Schedule 2
Tax Impacts of Riverfront Development

Tax Impacts		***Central Riverfront Area***		***Third Street Area***		***Total RDA***
Net Annual City Income Tax	$	451,000	$	2,417,000	$	2,868,000
Annual Hamilton County Retail Sales Tax	$	198,000	$	139,000	$	337,000
Total Tax Impacts (excluding real estate taxes)	***$***	***649,000***	***$***	***2,556,000***	***$***	***3,205,000***
20 Year Present Value of Revenue	***$***	***7,444,000***	***$***	***29,317,000***	***$***	***36,761,000***



Notes:

(1) Above estimates are conservative due to the fact that ERA's figures are based on lower square footages for the Central Riverfront Area than the current RAC plan indicates.

(2) Source: ERA

(3) Real estate taxes not included becausethey will likely be used for TIF.

The Riverfront Advisors Commission's Financial/Economic/Parking Committee recommendations are as follows:

1. ***Encourage private investment in a mixed-use development program that creates a 24-hour environment and that is complementary to, not competitive with the overall revitalization efforts within the urban core. The recommended product ranges are as follows:***

Recommended Development Ranges by Product

Area	Retail	Residential	Office	Hotel
Central Riverfront Area	250,000 – 300,000 sf	600 - 800 units	100,000 - 200,000 sf	200 - 400 rooms
Third Street Area	150,000 – 250,000 sf	300 - 500 units	1,000,000 - 2,000,000 sf	
Subtotal	***400,000 – 550,000 sf***	***900 -1,300 units***	***1,100,000 - 2,200,000 sf***	***200 - 400 rooms***
Potential Long-Term Projects	100,000 – 200,000 sf	150 - 250 units	500,000 - 1,000,000 sf	

The development program proposed in the Central Riverfront Area is mixed use in nature anchored by significant residential development. There is currently strong demonstrated demand for downtown residential development and downtown residents are necessary for the creation of a "24 hour city" that creates demand for retail and other uses in the core. The retail use recommended in the Central Riverfront Area should be mostly specialty retail and entertainment oriented so as not to compete with existing other new retail development efforts in the CBD. Major office use is recommended for the blocks north of Third Street where there are no height limitations and where building sites can and should be maximized. New hotel development could be highly successful in the Riverfront area based on the success of other riverfront developments in Northern Kentucky. However, unless there is certainty of expansion plans for the Convention Center, the recommended program for hotel use is limited to one or two small "boutique" properties. Based on these concepts and principles, the design program and economic model were developed using the following square footages and unit quantities for each recommended product type:

Project Summary by Product (Based on RAC/UDA/ERA Model)

	Product Mix					***Parking***	
	Residential (Units)	**Retail/ Entertainment**	**Office**	**Hotel (Rooms)**	**Total Square Feet**	**Dedicated Project**	**Project/Public Combination**
CRA	750	293,000	176,000	225	1,399,000	1,309	
Third Street	400	200,000	1,575,000		2,175,000		5,150
Total RDA	***1,150***	***493,000***	***1,751,000***	***225***	***3,574,000***	***1,309***	***5,150***

2. Utilize the Crossett site for Riverfront parking.

The Crossett site and its adjacent block, which contain capacity for approximately 1,300 cars is key to meeting the parking requirements of the Riverfront public and private developments. The City and County should work together to do whatever is necessary to accomplish this.

3. Shift the County funded above-ground parking garages currently planned for Blocks 1 and 4 to sites north of Third Street where the spaces can be incorporated into proposed office and mixed use developments.

Blocks 1 and 4 are planned to include two above-ground parking garages that contain a total of 1,752 spaces. These are problematic because they must be designed immediately to meet construction and availability targets. Designing these garages now could severely limit the feasibility of developing these blocks, particularly Block 4. Block 4's garage must be designed now but will not be available for commercial development until 2004. Building the garage on Block 4 today will significantly limit development on that block and will negatively impact the visual entrance to the Reds stadium and the entire Riverfront Development Area. This impact is estimated to have an impact of approximately $1.3 million in residual land values in the Central Riverfront Area plus at least $7.5 million in TIF proceeds. This impact was quantified based on the fact that the garages cause the buildable square footage in the CRA to be reduced by 291,600 square feet. These garages may also cause additional loss of land value due to the loss of design and development flexibility and aesthetics. Although solutions to solving short-term parking requirements will be needed, **shifting these parking garages to sites north of Third Street creates potential for a much greater economic impact for the same dollars invested.**

4. Fund the public infrastructure costs and amenities necessary to support quality private development in the RDA through a collaborative pooling of resources among the City, County and private business sectors involving City TIF financing, utilization of unobligated County sales tax revenues, and private lending institution purchase of subordinate bonds.

The public infrastructure costs and amenities necessary to support quality private development in the CENTRAL RIVERFRONT AREA total approximately $98 million. This includes the street grid cost of $46 million plus another $52 million anticipated by the Riverfront Advisors Commission's plan for pedestrian plazas covering most of Fort Washington Way, building The Boardwalk at the Banks, and creating additional green space throughout the development. This $52 million represents only a 4% increase over the total amount of public investment currently budgeted for the Riverfront area. Possible funding approaches under two possible scenarios are as follows:

Scenario 1 – (Current Plan): Above-ground parking garages are built on Blocks 1 and 4 as currently planned.

Funding Sources:

Supportable Bond Debt from TIF Revenue in CRA * -	$ 28,442,000
Developer Contribution to Land Value * -	$ 4,761,000
Private Subordinate Bonds Secured by Unobligated Sales Tax Revenues -	$ 64,797,000
Total	**$ 98,000,000**
Infrastructure & Amenity Costs:	**($98,000,000)**
Resulting (Gap)/Excess:	***$ 0***

**** This scenario causes loss of 291,600 square feet from RAC recommended development program.***

Total Economic Benefits (Central Riverfront Area Only):	
Potential TIF	$ 28,442,000
Private Investment $	$159,074,000
Total Jobs Created	1,336
Total Residents	1,084
Total New Jobs Impact	923
Total New Payroll Impact	$ 27,037,000
Total New Retail Spending (Annual)	$ 19,759,000
Total Annual Fiscal Impacts (Excluding Property Taxes)	
Annual City Payroll Tax Income	$451,000
Annual County Retail Sales Tax Revenue	$198,000
Total Annual Revenue Generated	**$649,000**
20-Year Present Value of Annual Revenue	**$7,444,000**

Scenario 2 – (RAC Recommended Plan): Above-ground parking garages on Blocks 1 & 4 are eliminated and spaces replaced in development projects located north of Third Street. County allocates capital funds earmarked for these garages to pay for parking in Third Street projects thus accelerating private investment beyond the CRA. This could also allow the City to capture a portion of the TIF revenue from some of the Third Street projects to cover infrastructure costs in the RDA.

Funding Sources:	
Supportable Bond Debt from TIF Revenue in CRA -	$ 35,932,000
Developer Contribution to Land Value -	$ 6,014,000
Private Subordinate Bonds Secured by Unobligated Sales Tax Revenues -	$ 56,054,000
Total	**$ 98,000,000**
Infrastructure & Amenity Costs:	**($ 98,000,000)**
Resulting (Gap)/Excess:	***$0***

‘* Potential to increase TIF by up to $28,811,000 if a portion of Third Street TIF revenues can be “captured” for the Riverfront. At a minimum, allocating $17 million in County funding for garages to Third Street projects may free up a like amount Third Street TIF for the Riverfront.

Total Economic Benefits (Central Riverfront and Third Street Areas):	
Potential TIF	$ 93,554,000
Private Investment $	$600,446,000
Total Jobs Created	8,036
Total Residents	1,746
Total New Jobs Impact	5,020
Total New Payroll Impact	$171,856,000
Total New Retail Spending (Annual)	$ 33,706,000
Total Annual Fiscal Impacts (Excluding Property Taxes)	
Annual City Payroll Tax	$ 2,868,000
Annual County Retail Sales Tax Revenue	$ 337,000
Total Annual Revenue Generated	**$ 3,205,000**
20-Year Present Value of Annual Revenue	**$36,761,000**

The advantages and disadvantages of the two scenarios are summarized below:

Scenario 1 – Current Plan (Parking Garages on Blocks 1 & 4)	***Scenario 2 – RAC Recommended Plan (Eliminate above ground parking in CRA and Replace in Office Projects North of Third)***
Advantages	**Advantages**
• Satisfies lease requirements and issues with Reds, Bengals, and Firstar.	• Significantly increased economic development impact. ($1of public investment returns over $2.)
• Solves short-term parking problems in CBD.	• Creates potential to increase development square footage of retail, residential or hotel development if market warrants. • Significantly improves aesthetic environment in CRA. • May provide additional TIF revenues from 3rd Street Area to fund Riverfront costs. • Increases present value of City/County annual income and sales tax income from $7.4 million to $36.7 million.
Disadvantages	**Disadvantages**
• Loss of private development (291,600 sq. ft.) on Blocks 1 & 4 results in reduction of residual land value and TIF proceeds.	• Requires approval of Bengals and Reds.
• Creates aesthetic negatives for Freedom Center, Reds Stadium. • Reduced economic development impact. ($1 of public investment returns less than $1 in private investment.) • Limits potential developable square footage in CRA.	• Requires negotiation/agreement with Third Street property owners. • Timing of delivery of parking sites is less certain requiring solutions to short-term parking issues.

The rationale supporting these recommendations is contained in the following sections.

Recommended Ranges of Development Uses and Phasing

The economic analyses contained in the following sections of this report are based on the detailed Proposed Development Program by Block for the Central Riverfront Areas, the Third Street Areas, and Potential Long Term Projects contained in Schedules 3, 4, and 5. The program recommendations are presented in ranges to allow flexibility to evaluate development project proposals within the context of current market demand conditions. Specific square footages and units were used for purposes of financial analysis.

A summary of the program use and phasing schedule for Phases I and II is as follows:

Project Summary by Use and Phasing

	Product Mix					Parking	
	Residential (Units)	**Retail**	**Office**	**Hotel**	**Total Square Feet**	**Dedicated Project**	**Project/Public Combination**
Phase I – Completion in 2003							
CRA *	492	237,000	126,000	0	855,000	789	
Third Street	200	150,000	775,000	0	1,125,000		4,350
Total	**692**	**387,000**	**901,000**	**0**	**1,980,000**	**789**	**4,350**
Bengals Stadium (2000)							
Reds Stadium (2003)							
Freedom Center (2003)							
Phase II – Completion in 2006							
CRA *	258	57,000	50,000	225	545,000	520	0
Third Street	200	50,000	800,000	0	1,050,000	0	800
Total	**458**	**107,000**	**850,000**	**225**	**1,595,000**	**520**	**800**
Riverfront Park (2006)							

* *If above ground parking garages are not moved from the CRA Blocks to north of 3rd Street, CRA square footage reduced by 291,600.*

Riverfront Advisors Commission
Schedule 3 - Proposed Development Program by Block
Central Riverfront Area

	Specialty Ret./Entert.	*Residential*		*Office*	*Hotel*		*Total*	*Dedicated Project*
	Sq. Ft.	**Units**	**Sq. Ft.**	**Sq. Ft.**	**Units**	**Sq. Ft.**	***Sq. Ft.***	***Parking (1)***
Phase I								
Block 1	47,000	62	62,000	126,000			235,000	240
Block 2	28,000	342	342,000				370,000	549
Block 5	43,000						43,000	
Block 6	35,500	88	88,000				123,500	
Block 10	33,000						33,000	
Block 12 (Boardwalk)	50,000						50,000	
Subtotal	**236,500**	**492**	**492,000**	**126,000**	**-**	**-**	**854,500**	**789**
Phase II								
Block 4	20,400	170	170,000	50,000	225	180,000	420,400	520
Block 8	36,500	88	88,000				124,500	
Subtotal	**56,900**	**258**	**258,000**	**50,000**	**225**	**180,000**	**544,900**	**520**
Primary Project Total	***293,400***	***750***	***750,000***	***176,000***	***225***	***180,000***	***1,399,400***	***1,309***

Recommended Product Range	
Retail	250,000 - 300,000 square feet (entertainment/restaurant/specialty only - no "big box")
Residential	600 - 800 units
Office	100,000 - 200,000 square feet
Hotel	200 - 400 rooms

Notes:

(1) Parking spaces quantified here include those that must be dedicated to the development use indicated. Retail/entertainment parking can be shared with stadium parking
Dedicated parking spaces for the other uses was calculated by UDA as follows:
Residential - 1.5 spaces/unit
Office - 10% of 4 spaces/1,000 sf
Hotel - .5 spaces/room

Riverfront Advisors Commission
Schedule 4 - Proposed Development Program by Block
Third Street Development

	Retail	*Residential*		*Office*	*Hotel*		*Total*	*Parking*
	Sq. Ft.	**Units**	**Sq. Ft.**	**Sq. Ft.**	**Units**	**Sq. Ft.**	***Sq. Ft.***	***Spaces***
Projects in Development								
Queen City Square (W/S) (1)				1,100,000			1,100,000	2,500
Third & Race (Duke/Weeks)				375,000			375,000	1,200
McAlpins Site (Madison Marq.)	150,000	200	200,000	TBD			350,000	650
Miscellaneous (2)	50,000	200	200,000	100,000			350,000	800
Total Projects in Planning	***200,000***	***400***	***400,000***	***1,575,000***	***-***	***-***	***2,175,000***	***5,150***

Recommended Product Range	
Retail	150,000 - 250,000 square feet
Residential	300 - 500 units
Office	1,000,000 - 2,000,000 square feet

Notes:
(1) Office space to be built in two to three phases.

Riverfront Advisors Commission
Schedule 5 - Proposed Development Program by Block
Potential Long Term Projects

	Retail	*Residential*		*Office*	*Hotel*		*Total*	*Parking*
	Sq. Ft.	**Units**	**Sq. Ft.**	**Sq. Ft.**	**Units**	**Sq. Ft.**	***Sq. Ft.***	***Spaces***
Potential Long Term Projects								
Marina Development		200	200,000				200,000	300
Provident Block	120,000			880,000			1,000,000	TBD
Total	***120,000***	***200***	***200,000***	***880,000***	***-***	***-***	***1,200,000***	***300***

Potential Long Term Project Product Range	
Retail	100,000 - 200,000 square feet
Residential	150 - 250 units
Office	500,000 - 1,000,000 square feet

The program shown in these schedules was developed with consideration of the following criteria and principles:

- Aesthetics – Relationship of development mass to existing skyline and Ohio River and maximization of views. (Transition from low scale and density at River to higher scale and density towards CBD).

- Development phasing and market timing – Availability of development site vs. projected market conditions in each use category.

- Impact on downtown redevelopment efforts north of Third Street – Uses complementary to, not competitive with, existing uses in urban core.

- Market demand – Demonstrated demand and feasibility given current and projected market conditions.

- Economic impact – Contribution to cost of public infrastructure and growth of the urban core's economic base.

Market Demand

The following reports and studies have supported market demand for the above ranges of uses in the total RDA:

Housing

- ERA[2] estimates housing demand in the CBD to be 800 to 1,400 units over the next 10 years while DCI suggests potential demand at 1,400 to 4,000 units.

- All recent downtown housing projects have been successful and there appears to be strong demand for proposed new housing projects at 325 8th Street as well as the Shillitos project.

- The Riverfront area, because of its unique environment, access and views has the best potential within the CBD for successful urban housing development.

- A quality housing development in the 200-unit range has been programmed for the site just west of the Bengals stadium surrounding a proposed marina as a Long Term Potential Project within the RDA.

- The housing development program within the RDA should encourage a mix of unit sizes that makes units affordable in many income and age categories. Target markets would include: for-sale and for-rent housing for empty nesters 50 – 70 years old, for-rent units for young working adults in all income categories, single and married.

[2] Economics Research Associates was retained by the Riverfront Advisors Commission to provide financial feasibility and market analysis for the Riverfront project.

- ***Housing supports permanent retail uses and provides a true 24-hour city, unlike sporting events, and is thus the most important element of new private market development along the riverfront.***

- ***Housing as proposed will need modest or no local subsidy with no federal subsidies anticipated as long as a single developer is used for both the rental and for-sale markets of all sizes and over the entire absorption period.***

- Exhibit A at the end of this report contains a detailed analysis and an example of a potential housing mix in terms of unit size and pricing.

Retail/Entertainment/Restaurants

- Dr. Norm Miller's[3] studies suggest sufficient demand for additional retail attractions in the CBD. According to Miller, retail sales in the CMSA have grown from $16 billion in 1993 to $22.5 billion in 1999.

- There will be a strong demand for entertainment uses within the CRA generated by the major stadium and museum attractions that must be carefully planned and programmed so as not to negatively impact the proposed residential development.

- Retail districts within the CBD and the CRA must be linked together to create the critical mass and variety necessary to attract shoppers downtown.

- "Big box" retail attractions should be retained and encouraged in the CBD north of Third Street to support and add critical mass to retention and large scale new retail development efforts currently underway.

- ***Bias and preference of local citizens is for unique retail in the Central Riverfront Area that celebrates ethnic and cultural diversity and local history.***

- ***Special funding should be allocated to attract independent, unique, and ethnic retail establishments to the riverfront, including the creation of The Banks Entrepreneurial Equity fund to help fund start-up costs.***

Hotel

- ERA estimates total net new CBD hotel demand at 600 to 1,200 rooms contingent upon expansion of the convention center.

- No new CBD hotels are currently needed to accommodate existing demand until the convention center expands.

- Notwithstanding the above, the success of the quality hotels located on Northern Kentucky's riverfront suggest that the unique environment to be created in the RDA may attract one or two hotels to our study area.

[3] Dr. Norm Miller is the Director of U.C.'s Real Estate Program in the College of Business and is a member of the Riverfront Advisors Commission.

- ***One to two modest sized boutique hotels, built in Phase II of the development will have sufficient demand because of the tie-in with special events and unique views and access to downtown. A hotel will compliment the proposed office component as well as providing amenities that are important and might be shared with housing, such as health club facilities.***

<u>Office</u>

- According to ERA, the CBD has seen strong office absorption over the last three years and steady improvement in rental rate growth.   However, the Riverfront Advisors Commission believes that the CBD has not attracted its share of new office construction due to perceived problems such as a lack of conveniently-located, affordable parking and a lack of amenities in the urban core.

- According to Dr. Miller, rents need to increase $2 - $3 per square foot to justify new office construction in the CBD.

- Within the primary Riverfront area, boutique-sized office developments within a mixed-use project will find a receptive market for those independent professionals seeking a unique office environment.

- Since 1990, approximately 600,000 square feet of speculative office space was constructed and absorbed in Covington, Kentucky. This is a strong indication that the availability of quality, Class A office developments does stimulate corporate relocation and tenant retention in the urban core (e.g., Ashland, Inc.). According to ERA, this is a level of performance that would not have been predicted based on trend data and proves that past trends are not always indicative of future performance.

- ***Major corporate office development is recommended to be located in the Third Street development area. The environment created in the Central Riverfront Area will be key to increasing CBD occupancies, values and rents in order to justify large-scale new construction. By creating this quality environment in the RDA, downtown will become much more competitive with the suburbs.***

Parking

Parking is one of the most complex and important issues faced by the Advisors and all those involved in Riverfront development planning. It is also a major issue relating to the ability to attract new and retain existing corporate office users and retail customers in facilities located throughout the entire urban core. The current facts relating to Riverfront area parking are as follows:

- The County has committed to fund the construction of approximately 8,300 parking spaces in the Central Riverfront Area. Of these, approximately 4,600 spaces are contained in a below grade, two level parking garage that will be used as a base for Riverfront development between the two stadiums.

- Schedule 6 shows a detailed parking calculation for the Riverfront Development Area based on The Riverfront Advisors Commission's plan. A total of 10,340 parking spaces have been identified within the RDA which could be used to satisfy the needs of the Reds, Bengals, and the private developments in the Central Riverfront Area. Based on Reds and Bengals lease requirements as well as the estimated requirements of the proposed development use program, a **minimum** of 8,809 parking spaces are required in the Central Riverfront Area.

- The 10,340 space parking calculation was made using three key assumptions:

  1. The City-owned Crossett site and adjacent lot, which could accommodate 1,300 cars, is utilized for Riverfront development and stadium parking.

  2. One level is added to the Lytle Garage, bringing its capacity to 1,080 cars.

  3. Garages located in Third Street projects (Queen City Square and Third & Race or the McAlpin's site) contain 1,752 spaces that can be used to satisfy stadium parking needs. The spaces replace those that were originally planned to be located in above-ground garages on Blocks 1 and 4.

- ***The Crossett site is essential for meeting the parking requirements of the primary Riverfront public and private developments.***

- A key parking issue identified by the Riverfront Advisors Commission is the proposed above-ground parking garages located on Blocks 1 and 4. These garages provide 1,752 spaces in the Primary Riverfront Area. The existence of these garages make it difficult for developers to design projects for these blocks. Also, they consume valuable land area that could be used for a higher revenue-generating purpose.

- Of particular concern is the garage located on **Block 4**. Apparently, it needs to be designed this fall; however, it will not be available for commercial development until Phase II of the Central Riverfront Area project (2003 and beyond). **Determining the garage design now could severely limit the development potential and flexibility of this block.** It should also be noted that about **30% of the economic value, which supports TIF proceeds for the Central Riverfront Area, is generated by the program for this block.** (See Schedule 7). **We believe commercial development will be significantly limited on this Block under the present parking scenario.**

- The Third Street Development Area has significant potential to provide alternative parking facilities within proposed office developments. In three projects, Queen City Square (W/S), Third & Race, and McAlpins, approximately 5,150 spaces are planned to be part of office and mixed-use developments. In general, office and special event uses are very compatible. ***Therefore, the Riverfront Advisors Commission recommend that the spaces contained in the above-ground parking garages on Blocks 1 and 4 be shifted to these Third Street projects. This would have the added benefit of stimulating new office development in the Third Street Area.***

- There are significant issues associated with this recommendation. However, the Riverfront Advisors Commission believes that they can be resolved with City, County, and private market cooperation.

- UDA has studied these issues and has determined that:

    1. The short-term parking shortfalls are not that large.

    2. Fringe parking and shuttles can be implemented as low-cost solutions to the problem.

    3. Experience in other cities with similar problems, i.e., Pittsburgh, Charlottesville, VA, Norfolk, VA, and Chattanooga indicates that these solutions are easy to implement.

- Despite the issues above, there are significant benefits to the Riverfront Advisors Plan that should compel City, County and private sectors to find solutions to the short-term problems. These benefits include:

    1. The opportunity to use County funds earmarked for investment in the Riverfront area to stimulate development in a wider area, which has a much greater economic impact. For example, under the RAC recommended plan, the public investment related to private development under the RAC recommended plan totals approximately $247.9 million including all riverfront parking. The resulting private investment considering the Central Riverfront Area only is $159.1 million or 64% of the public investment amount. **If these same dollars are invested in a manner that stimulates the development sites along Third Street, the resulting private investment could be as much as $600.5 million or 242% of the public investment amount. (See Schedules 8 and 9).**

    2. The potential to "capture" TIF dollars from Third Street projects to fund Riverfront improvements and amenities. As will be discussed in the following section, **total TIF dollars from Third Street projects are approximately $57.6 million** - a significant pool of additional capital for the economic development of the entire urban core.

    3. The ability to replace space used by parking garages with higher value commercial or residential development if market conditions warrant.

    4. General improvement in the aesthetics of the Riverfront project which will enhance values within and adjacent to the RDA.

- The Riverfront Advisors recommend that above-ground public garages be shifted to areas north of Third Street. Please note that revenue to the Reds, Bengals and Firstar would remain the same under this scenario.

- **It would be very detrimental to the economic development of our region to limit the long-term economic potential of the Riverfront and the CBD in order to solve short-term parking problems.**

Riverfront Advisors Commission
Schedule 6 - Parking Calculation
Riverfront Development Area

	# Spaces				
		Below	Above Podium		
Block #	**Surface**	**Podium**	**Public**	**Dedicated(2)**	**Total**
Central Riverfront Area					
1 & 5		892		240	1,132
2 & 6		834		549	1,383
3		720			720
4		789		520	1,309
9 a.,b.,c.		1,100			1,100
11	100				100
Bengal Stadium Site		464			464
Lytle Garage (1)			1,080		1,080
Crosset Site & Adjacent lot	1,300				1,300
Subtotal	***1,400***	***4,799***	***1,080***	***1,309***	***8,588***
Third Street Area					
Third & Race/McAlpins Site			852		852
Queen City Square			900		900
Subtotal	***-***	***-***	***1,752***	***-***	***1,752***
Total Parking Spaces	***1,400***	***4,799***	***2,832***	***1,309***	***10,340***

Summary:

1,309	Spaces required for commercial and residential development. (3)
8,500	Spaces required for Reds and Bengals.
(1,100)	Spaces that may be shared by Reds and Bengals.
8,709	Minimum total spaces required in Riverfront Development Area.

Notes:

(1) Assumes Lytle Garage increased by one story.
(2) Spaces to be built as part of private development projects.
(3) See Schedule 3 for calculation.
(4) Additional dedicated parking spaces would be built in these projects providing up to 2,598 spaces for office use in the CBD.

Public Infrastructure and Amenities Costs and Current Sources of Funding

- Public investment in the Riverfront area is significant. Approximately **$1.27 billion** is required to construct all of the infrastructure and amenities (including the Stadiums and the Freedom Center) per the original Riverfront plan. (See Schedule 10).

- The Advisors Riverfront program estimates that **$98 million** in public infrastructure and amenities needs to be spent to implement its recommended development program.

- Of this $98 million, $46 million to build the street grid in the Central Riverfront Area was originally anticipated by the City and County. The Riverfront Advisors Commission's plan recommends an additional expenditure of $52 million to create pedestrian plazas covering Fort Washington Way, create a major new anchor – the Boardwalk at the Banks – and create additional green spaces. These amenities will help attract and maximize quality development within the entire RDA.

The Advisor's have identified several approaches for funding these costs, which could be implemented by a pooling of City, County, and private resources.

Approaches to Funding Public Infrastructure Costs to Achieve Maximum Return

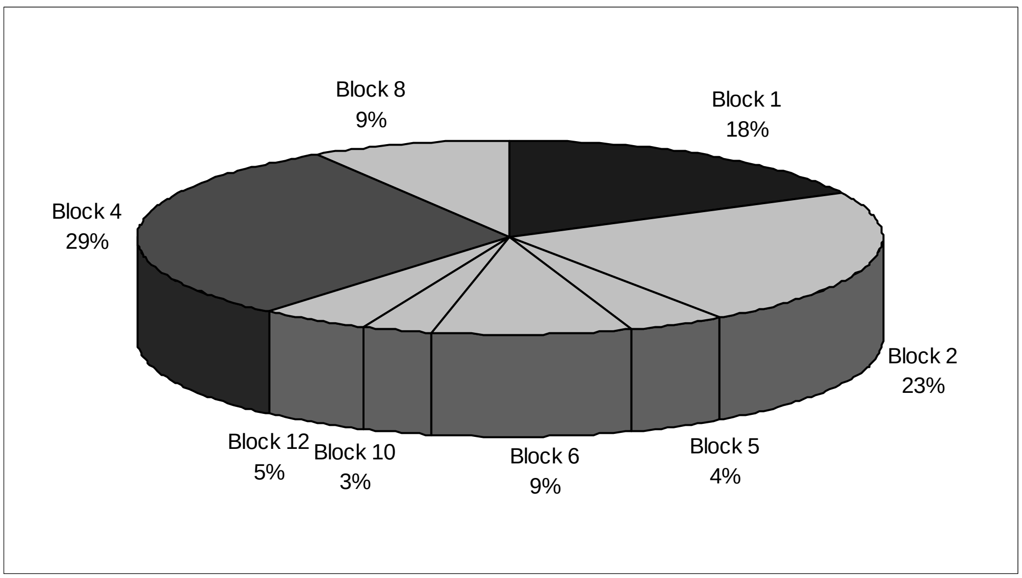
To fund the expenditures identified above, more leverage from the public's investment must be achieved and currently identified sources of funding must be maximized to obtain the desired result. Some approaches for accomplishing this may include the following:

Developer Contribution to Land Cost

- ERA has estimated that the economics of the recommended development program for the Central Riverfront Area can support a total of $6.0 million in land residual value. (See Schedule 11). This means that based on the costs and potential revenues from the development projects, the developer can afford to pay the equivalent of $6.0 million present value in the form of future land lease payments and still receive the required return on investment. Current projections provided by ERA assume that the developer pays for the cost of any required dedicated structured parking as well as the development podium. This will certainly be an area of significant negotiation between the developer and the City. Particularly in Phase I of the development where the risk is the greatest, the developer may insist on receiving land at little to no cost. It will be difficult to stretch this potential source beyond the amounts identified. This issue is subject to further review by this Commission or its successor.

Riverfront Advisors Commission
Schedule 7 - Supportable Bonded Debt by Block

Central Riverfront Area		Supportable Bonded Debt	% of Total
Block 1	$	6,307,000	18%
Block 2		8,290,000	23%
Block 5		1,461,000	4%
Block 6		3,094,000	9%
Block 10		1,121,000	3%
Block 12		1,699,000	5%
Block 4		10,832,000	30%
Block 8		3,128,000	9%
Total	**$**	**35,932,000**	**100%**



- If the County garages currently planned for Blocks 1 and 4 are built, there will be a negative impact on this source of funding. First, the general loss of development flexibility caused by the fact that these garages will be designed and built before the blocks are available for development are likely to reduce land values in the Central Riverfront Area. In addition, the Riverfront Advisors Commission's recommended program would have to be reduced by as much as 291,600 square feet causing a direct negative impact of $1.3 million.

TIF Proceeds from Projects in Central Riverfront Area

- Tax Increment Financing is an important tool that the City has to fund public improvement costs relating to a particular development project. As Schedule 12 indicates, the Riverfront Advisors Commission's program for the Central Riverfront Area has the potential to provide tax revenue (after School Board share) that supports $35.9 million in bond debt that can be used to fund infrastructure costs. The calculation assumptions were developed by ERA and are shown in Schedule 13.

- This source of funding will also be impacted by whether or not the County garages on Blocks 1 and 4 are relocated to Third Street. The 291,600 square foot loss of development space will reduce TIF proceeds in the Central Riverfront Area from $35.9 million under the Riverfront Advisors Commission's recommended program to $28.4 million.

County Sales Tax

- The Hamilton County sales tax provides a truly significant revenue stream that could be used to partially fund the identified gap between sources and uses of infrastructure costs of the RDA, all of which support the stadiums and their public access.

- The bonds that are funding the construction of the stadiums and the parking facilities were underwritten and the financial model was projected using a 2% assumption regarding the growth rate of sales tax revenues. The County now anticipates that it will need to use all tax revenues up to a 3% growth rate to cover all of its costs and retire its debt according to schedule.

- According to sales tax history figures from 1970 to 1998 provided by the County, the actual average sales tax increase has been 7.55% per year. The 10-year average annual growth rate between 1989 and 1998 has been 4.98% and the 5-year average between 1994 and 1998 has been 5.79%.

- If the conservative assumption is made that tax revenues will continue to increase at a 5% (or even a 4%) growth rate, there will be a significant amount of sales tax revenues in excess of those required to pay the bond debt service and stadium-related operating expenses. These unobligated funds could be used to generate additional funding for Riverfront infrastructure and improvements to support the stadiums and their public access. (Please note that our projections assume that the County retain **all** of the sales tax revenue until 2003).

- Schedule 14 shows the present value of the unobligated sales tax revenues at 3.5%, 3.75% and 4% (versus the five year historical average of 5.79%) growth rates over the next 25 years. These figures represent the difference between tax revenues at a 3% growth rate, which will be used by the County to fund its existing obligations and sales tax revenues at 3.5%, 3.75%, and 4% growth rates respectively. Using these very conservative growth rate assumptions it appears as though a bond issue paying between 7% and 8% interest could be supported in an amount to fund between $44 and $108 million. The Riverfront Advisors Commission recommends that a small portion of this unobligated capacity be used to pay for the remaining identified infrastructure costs after the TIF funding tools and developer land cost contribution identified above are utilized.

- ***The Riverfront Advisors Commission recommends that a subordinate bond issue be privately placed with local lending institutions to cover the gap infrastructure funding requirements for RDA improvements. This amount varies depending on final underwriting costs, financing terms, and the amount required to fund this gap. These bonds would be fully subordinate to all primary County financing for the Riverfront. This will require more detailed discussions and analysis by the County, its bond counsel, and public finance consultant, PFM.***

TIF from County Garages

- County-owned parking facilities could generate TIF revenues if the County elects not to ask for tax exemption. ERA estimates the TIF potential capital funding of the County-owned parking garages to be approximately **$22.5 million.** We understand, however, that the County and City are moving forward on a request for tax exemption. Therefore, this potential source was not quantified within our recommendation package.

Other Regional Taxes

Regional tax initiatives have played an important role in large-scale private/public development projects in other cities. In Dayton, for example, suburban communities contributed funds on a per capita basis to help fund downtown Riverfront improvements. In Kansas City and Cleveland, special tax levies were approved for special projects to provide public infrastructure, and cultural attractions. Although these taxes are difficult to get approved and in our region's case, involve many political jurisdictions, they should be considered as a long- term tool for the ongoing revitalization of the region's urban core on both sides of the river. For example, a regional park tax may be a solution more apt to draw regional consensus for funding the Riverfront Park component of the Riverfront development project.

Inclusion of Third Street Development Projects in Riverfront "TIF District"

- The current approach to funding the public infrastructure costs is to capture only those TIF revenues from projects in the primary Riverfront developments. As discussed above, projects support bond debt of $35.9 million. If the significant public investment in the Central Riverfront Area is viewed as the catalyst necessary to increase property values and creates development opportunities in surrounding areas, then it makes sense that those projects be considered as a source of funding for infrastructure costs relating to Riverfront developments.

- As Schedule 12 indicates, the Third Street area has significant development potential. In the three major and two minor projects currently in various stages of active planning, there is a total of 2,175,000 square feet (primarily office) of product. Longer term, the Provident Block and the Marina development could add another 1,200,000 square feet.

- The potential of the Third Street Development Area could be a significant opportunity to address some major issues:

  1. The above-ground parking garages which limit development flexibility in Blocks 1 and 4 in the Primary Riverfront Area.

  2. The gap between infrastructure costs and TIF revenue sources of funding those costs.

  3. Obtaining a greater economic development impact from the same dollars invested in the Riverfront.

- The following scenario should be implemented to maximize leverage of public investment in the Riverfront:

  1. Shift a portion of the Riverfront development parking requirements to projects north of Third Street, thus eliminating the need to construct the above-ground parking garages on Blocks 1 and 4.

  2. Reallocate County funds earmarked for these garages (estimated at approximately $17 million) to those projects to provide the developer with a portion of the subsidy required to implement these projects.

  3. Use the portion of the TIF from these projects not required for developer subsidy to fund the gap in the Riverfront infrastructure costs.

- According to the City's Economic Development Department, most downtown projects currently require 100% of TIF funds to subsidize the cost of new development under current market rent conditions. If County-funded parking garages are substituted for TIF fund subsidy, then at least a portion of the TIF potential from these projects could be allocated to fund Riverfront infrastructure costs.

- Initially, it may not be possible to capture any TIF revenues from the Third Street projects since significant subsidy may be required to stimulate investment in these projects.

- It is very likely, however, that the quality Riverfront development environment created by the Riverfront park and open spaces within the Central Riverfront Area will significantly increase the rents and values of the adjacent Third Street properties. This impact has been documented in many other cities including Atlanta (Centennial Park), New York (Union Square), and Boston (Post Office Square). A likely result is that as rents and values increase, there will be less need for developer subsidy to stimulate new commercial development in the Third Street area. Over time, these projects as well as the longer term projects identified in this report may have the potential to generate significant excess TIF revenues for public improvements. If 25% of TIF revenues were captured from the Third Street Development Area projects, then a conservative estimate is that about $14.4 million would be generated in TIF bond proceeds not even considering the impact of the longer term projects.

Summary of Funding Solutions

- A summary of the Riverfront Advisors Commission's approach to funding the public infrastructure is shown in Schedule 15. In Scenario 1 (Current Program), which assumes that the County above-ground parking garages remain on Blocks 1 and 4, the $98 million in infrastructure costs can be funded with $4.8 million in developer contribution to land cost, $28.4 million in TIF proceeds from projects in the Central Riverfront Area, and a $64.8 million subordinate bond issue secured by unobligated sales tax revenues.

- In Scenario 2 (RAC recommended program), which involves moving the two above-ground garages to projects on Third Street, the infrastructure costs can be covered by the same combination of sources detailed above even if no TIF funds are "captured" from the Third Street projects. However, the potential exists to generate significant additional funds (estimated up to $28.8 million) if just a portion of TIF funds (from projects actually in planning at present) can be used to fund other improvements, i.e., the Riverfront park or be used to reduce the amount of the subordinate bond issue required to cover the gap between unfunded Riverfront development costs and currently identified potential funding sources.

Riverfront Advisors Commission
Schedule 8
Public Infrastructure Costs v. Private Investment

Public Infrastructure Costs
Related to Private Development

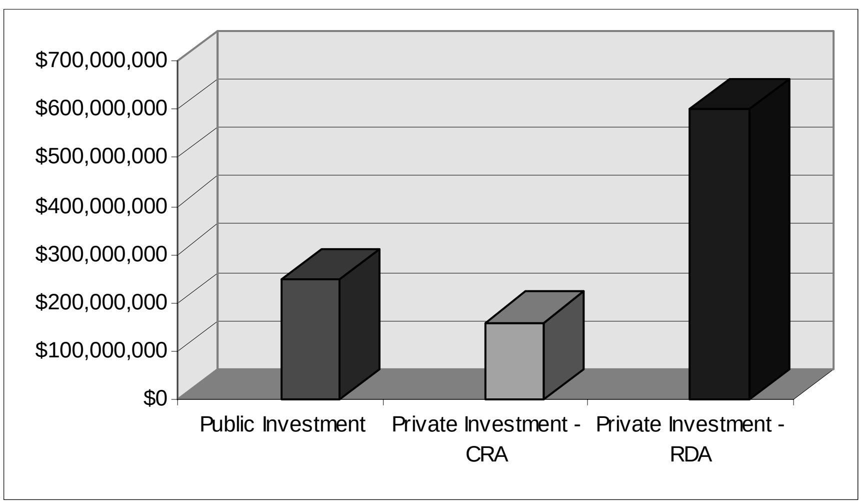
Item	Amount
Street Grid	$ 46,000,000
Utilities	$ 14,555,000
All Parking incl. Stadium	$ 135,353,000
FWW Covers	$ 39,000,000
Boardwalk	$ 8,000,000
Public Spaces	$ 5,000,000
Total	**$ 247,908,000**

If Garages Remain on Blocks 1 & 4:

Private Investment - Central Riverfront Area Only	**$ 159,074,000**
Public Investment/Private Investment	**64%**

If Garages Moved to Third Street:

Private Investment - Total RDA	**$ 600,446,000**
Public Investment/Private Investment	**242%**



Public Investment	$ 247,908,000
Private Investment - CRA	$ 159,074,000
Private Investment - RDA	$ 600,446,000

Riverfront Advisors Commission
Schedule 9
Calculation of Cost/Value of Private Investment

		Total Square Feet		Cost per Square Foot		Total Investment
Central Riverfront Area						
Phase I						
Retail/Entertainment		236,500	$	190.00	$	44,935,000
Residential		492,000	$	120.00		59,040,000
Office		126,000	$	150.00		18,900,000
Subtotal		***854,500***			***$***	***122,875,000***
Phase II						
Retail/Entertainment		56,900	$	190.00	$	10,811,000
Residential		258,000	$	120.00		30,960,000
Office		50,000	$	150.00		7,500,000
Hotel		180,000	$	160.00		28,800,000
Subtotal		***544,900***			***$***	***78,071,000***
Total Central Riverfront Area		***1,399,400***	$	143.59	***$***	***200,946,000***
Third Street Area						
Projects in Development						
Retail		200,000	$	190.00	$	38,000,000
Residential		400,000	$	120.00		48,000,000
Office		1,575,000	$	150.00		236,250,000
Parking @	5,150	2,060,000	$	37.50		77,250,000
Total Third Street Area		***4,235,000***			***$***	***399,500,000***
Total Third Street & CRA		***5,634,400***			***$***	***600,446,000***
Potential Long Term Projects						
Retail		120,000	$	190.00	$	22,800,000
Office		880,000	$	150.00		132,000,000
Residential (Marina)		200,000	$	120.00		24,000,000
Total Potential L.T. Projects		***1,200,000***			***$***	***178,800,000***
Total RDA		**6,834,400**			**$**	**779,246,000**

<u>Notes:</u>

(1) Keeping garages on Blocks 1&4 reduces developable square footage by 291,600 square feet.
This reduces private investment in CRA by $41,872,000

Riverfront Advisors Commission
Schedule 10 - Summary of Public Investment
Required in Riverfront Development Area

Anticipated Costs per Original Plan	***Cost ****	***Currently Funded***	***Anticipated Funding Source***
Street Grid	$ 46,000,000	No	TIF Revenue Bonds
Utilities	14,555,000	In Process	City/County/Utilities
Parking Garages & Related Infrastructure	135,353,000	Yes	County Sales Tax & Parking Revenue Bonds
Riverfront Park	65,000,000	No	Army Corps of Engineers, Hamilton County Park levy, State of Ohio, Private
Ft. Washington Way Reconfiguration	281,826,000	Yes	Various City, State, Federal
Reds Stadium	235,000,000	Yes	County Sales Tax, State
Bengals Stadium	403,000,000	Yes	County Sales Tax, State
Freedom Center Museum & Park	90,000,000	Partially	City and County grants, private capital campaign
Subtotal	**$ 1,270,734,000**		
Additional Costs Per RAC Development Plan			
Coverings & Plantings over FWW	$ 39,000,000	No	
Boardwalk Construction	8,000,000	No	
Public Green Spaces	5,000,000	No	
Subtotal	**$ 52,000,000**		
Total Costs	***$ 1,322,734,000***		
Unfunded Costs Related to Riverfront Development Projects	***$ 98,000,000***		

(shaded) Costs relating to commercial development.

* Does not include operating & maintenance costs.

Riverfront Advisors Commission
Schedule 11
Calculation of Residual Land Value - Central Development Area

Land Use	Units	Square Feet	Residual Value per Unit (1)	Total	Total Residual Value per Sq. Ft.
Retail	293,400	293,400	$ 1.25	$ 366,750	$ 1.25
Office	176,000	176,000	$ 6.98	$ 1,228,480	$ 6.98
Hotel	225	180,000	$ 7,155.61	$ 1,610,012	$ 8.94
Residential	750	750,000	$ 3,745.00	$ 2,808,750	$ 3.75
Total/Average		***1,399,400***		***$ 6,013,992***	***$ 4.30***

Notes:

(1) Unit residual values per ERA.

(2) Keeping garages on Blocks 1&4 reduces developable square footage by 291,600 square feet.
It is estimated that this reduces residual value by $1,253,000

Riverfront Advisors Commission
Schedule 12
TIF Revenue Funding Potential in Riverfront Development Area

	Retail	Residential		Office	Hotel		Total	TIF	Supportable
	Sq. Ft.	Units	Sq. Ft.	Sq. Ft.	Units	Sq. Ft.	Sq. Ft.	Revenue	Bonded Debt
Central Riverfront Area									
Phase I									
Block 1	47,000	62	62,000	126,000			235,000	$ 550,000	$ 6,307,000
Block 2	28,000	342	342,000				370,000	723,000	8,290,000
Block 5	43,000						43,000	127,000	1,461,000
Block 6	35,500	88	88,000				123,500	270,000	3,094,000
Block 10	33,000						33,000	98,000	1,121,000
Block 12 (Boardwalk)	50,000						50,000	148,000	1,699,000
Subtotal	**236,500**	**492**	**492,000**	**126,000**	-	-	**854,500**	**$ 1,916,000**	**$ 21,972,000**
Phase II									
Block 4	20,400	170	170,000	50,000	225	180,000	420,400	$ 945,000	$ 10,832,000
Block 8	36,500	88	88,000				124,500	273,000	3,128,000
Subtotal	**56,900**	**258**	**258,000**	**50,000**	**225**	**180,000**	**544,900**	**$ 1,218,000**	**13,960,000**
Central Riverfront Total	***293,400***	***750***	***750,000***	***176,000***	***225***	***180,000***	***1,399,400***	***$ 3,134,000***	***35,932,000***
Third Street Development									
Queen City Square	-	-	-	1,100,000	-	-	1,100,000	$ 2,573,000	$ 29,504,000
Third & Race	-	-	-	375,000	-	-	375,000	877,000	10,058,000
McAlpins Site	150,000	200	200,000		-	-	350,000	819,000	9,388,000
Miscellaneous	50,000	200	200,000	100,000	-	-	350,000	756,000	8,672,000
Third Street Total	***200,000***	***400***	***400,000***	***1,575,000***	**-**	**-**	***2,175,000***	***$ 5,025,000***	***$ 57,622,000***
Potential Long Term Projects									
Marina Development		200	200,000				200,000	$ 374,000	$ 4,292,000
Provident Block	120,000			880,000			1,000,000	2,414,000	27,680,000
Total Long Term Projects	***120,000***	***200***	***200,000***	***880,000***	**-**	**-**	***1,200,000***	***$ 2,788,000***	***$ 31,972,000***
Development Totals	***613,400***	***1,350***	***1,350,000***	***2,631,000***	***225***	***180,000***	***4,774,400***	***$ 10,947,000***	***$ 125,526,000***

Notes:

(1) Keeping garages on Blocks 1 & 4 reduces developable square footage in Central Riverfront Area by 291,600 square feet. It is estimated that this reduces TIF proceeds by $7,490,000

Riverfront Advisors Commission
Schedule 13
Calculation of TIF Revenues/Debt Capacity Per 1,000 sf New Construction

Building Type	*Construction Cost/ Value psf*	*Total Construction Cost/1,000 sf*	*Taxable Value @ 35%*	*Property Tax @ 6.6%*	*Less: 25% School Board Share*	*Less: 10% Holdback (1)*	*TIF Revenue/ 1,000 sf GBA*	*Bonded Debt Capacity @ Constant 0.0872*
Office	$ 150.00	$ 150,000	$ 52,500	$ 3,465	$ 2,599	$ 2,339	$ 2,339	$ 26,822
Hotel	$ 160.00	$ 160,000	$ 56,000	$ 3,696	$ 2,772	$ 2,495	$ 2,495	$ 28,610
Retail/Restaurant	$ 190.00	$ 190,000	$ 66,500	$ 4,389	$ 3,292	$ 2,963	$ 2,963	$ 33,974
Residential	$ 120.00	$ 120,000	$ 42,000	$ 2,772	$ 2,079	$ 1,871	$ 1,871	$ 21,458
Parking Garage	$ 30.00	$ 30,000	$ 10,500	$ 693	$ 520	$ 468	$ 468	$ 5,364
Parking - Underground	$ 37.50	$ 37,500	$ 13,125	$ 866	$ 650	$ 585	$ 585	$ 6,705

Notes:
(1) Holdback is for estimate of transaction costs and capitalized interest reserve.

Riverfront Advisors Commission
Schedule 14
Net Capacity in County Sales Tax - Additional Funding Potential ($000)

Year	Total Net Capacity @3.5% Growth	Total Net Capacity @3.75% Growth	Total Net Capacity @4% Growth
2003	$ 973	$ 1,533	$ 2,098
2004	$ 1,233	$ 1,929	$ 2,633
2005	$ 1,508	$ 2,350	$ 3,204
2006	$ 1,801	$ 2,797	$ 3,811
2007	$ 2,110	$ 3,272	$ 4,456
2008	$ 2,438	$ 3,776	$ 5,143
2009	$ 2,785	$ 4,310	$ 5,872
2010	$ 3,152	$ 4,876	$ 6,646
2011	$ 3,540	$ 5,475	$ 7,467
2012	$ 3,950	$ 6,109	$ 8,337
2013	$ 4,383	$ 6,780	$ 9,260
2014	$ 4,840	$ 7,490	$ 10,237
2015	$ 5,322	$ 8,239	$ 11,272
2016	$ 5,830	$ 9,031	$ 12,366
2017	$ 6,365	$ 9,867	$ 13,524
2018	$ 6,929	$ 10,749	$ 14,748
2019	$ 7,524	$ 11,680	$ 16,041
2020	$ 8,149	$ 12,661	$ 17,407
2021	$ 8,808	$ 13,695	$ 18,849
2022	$ 9,500	$ 14,785	$ 20,372
2023	$ 10,228	$ 15,934	$ 21,978
2024	$ 10,994	$ 17,143	$ 23,673
2025	$ 11,799	$ 18,415	$ 25,460
2026	$ 12,644	$ 19,755	$ 27,343
2027	$ 13,532	$ 21,164	$ 29,328
Total	***$ 150,340***	***$ 233,815***	***$ 321,523***

Present Value of Net Capacity @ ($000)	3.5% Tax Rev. Growth	3.75% Tax Rev. Growth	4% Tax Rev. Growth
6.0%	$58,000	$91,000	$124,000
6.5%	$54,000	$84,000	$116,000
7.0%	$51,000	$79,000	$108,000
7.5%	$47,000	$74,000	$101,000
8.0%	$44,000	$69,000	$94,000
8.5%	$42,000	$65,000	$89,000
9.0%	$39,000	$61,000	$83,000
9.5%	$37,000	$57,000	$78,000
10.0%	$34,000	$54,000	$73,000
10.5%	$32,000	$50,000	$69,000

Notes:

(1) Based on projections by Public Financial Management.
(2) Year 2003 figures based on actual 1998 tax revenue of $38,831,000 increased 3.5%, 3.75% and 4% respectively per year.
(3) Figures represent the difference between sales tax revenues using a 3% annual growth rate and 3.5%, 3.75%, and 4% respectively.

Other Economic Impacts of Riverfront Development

- It is important to note that there are significant economic benefits from the proposed development program other than TIF funding capacity. Schedule 16 summarizes the other economic benefits that the Riverfront Development Area will provide to the region in terms of new jobs, residents, payroll, retail sales, City income tax, and County sales tax. These impacts are significant particularly when the Third Street Development Area is included in the analysis.

- ***Therefore, The Riverfront Advisors Commission concludes that it is well worth the risk to make an investment that is sufficient to ensure that quality, long-term financially successful development will serve as a catalyst to enhance sustainable development throughout the entire urban core.***

Summary and Conclusions

Solving the infrastructure costs and parking dilemma is an extremely difficult and complex task. It appears, however, that the resources are available if they can be used to their maximum potential. We believe that it is imperative for the long-term financial success of the Riverfront development that:

- Creative and complex solutions identified herein are required and should be implemented.

- Additional short-term investment is required to yield the desired long-term result. It would be a big mistake limit the region's most significant economic development opportunity by actions motivated only by solving short-term problems.

- The ***various public and private entities involved in this development must pool their resources and work together to accomplish the overall objective***. Not the stadiums, the Freedom Center, nor the commercial development components by themselves will revitalize our region's urban core. Only together do they form the critical mass required to reverse past trends and shape a new future for our region.

Riverfront Advisors Commission
Schedule 15
Infrastructure Financing Concept Plan

Recommendation: *The City, County and private sector should collaborate to fund the public infrastructure and amenities required to attract and support private development. This would include:*

A. Developer contribution to land cost (land lease payments)
B. Tax Increment Financing from the City
C. Allocation of a small portion of unobligated growth generated County sales tax revenues
D. Subordinate bonds purchased by private financial institutions

	Original Program	***(RAC Recommended Program) Move Garages to Third Street***		
	Keep Garages on Blocks 1 & 4	***Scenario A 0% TIF "Capture"***	***Scenario B 25% TIF "Capture"***	***Scenario C 50% TIF "Capture"***
Unfunded Riverfront Development Costs (1)	***$ (98,000,000)***	***$ (98,000,000)***	***$ (98,000,000)***	***$ (98,000,000)***
Less: Potential Sources				
1. Developer contribution to land cost (2)	$ 4,761,000	$ 6,014,000	$ 6,014,000	$ 6,014,000
2. TIF Proceeds (Central Riverfront Area) (3)	28,442,000	35,932,000	35,932,000	35,932,000
3. TIF Proceeds (Third Street Area) (4)	-		14,405,500	28,811,000
Subtotal	***$ 33,203,000***	***$ 41,946,000***	***$ 56,351,500***	***$ 70,757,000***
Resulting (Gap)/Excess	***$ (64,797,000)***	***$ (56,054,000)***	***$ (41,648,500)***	***$ (27,243,000)***
4. Sale of Subordinate Bonds Paying 7.5% Interest (Amount Required to Breakeven)	$ 64,797,000	$ 56,054,000	$ 41,648,500	$ 27,243,000
Revised (Gap)/Surplus	***$ -***	***$ -***	***$ -***	***$ -***

Notes:

(1) Includes:

Street grid	$ 46,000,000
Coverings and plantings over FWW	$ 39,000,000
Boardwalk	$ 8,000,000
Public green spaces	$ 5,000,000
Total	$ 98,000,000

(2) See Schedule 11
(3) See Schedule 12
(4) Even if 100% of TIF proceeds are required to subsidize Third Street developments, it is likely that reallocating $17 million in County garage funding to parking in Third Street developments will free up a like amount to pay for Riverfront infrastructure.

Riverfront Advisors Commission
Schedule 16
Economic Impact of Riverfront Development Plan

Economic Impacts		***Central Riverfront Area***		***Third Street Area***		***Total RDA***
Total Private Square Feet Developed (1)		1,399,400		4,235,000		5,634,400
Total Cost/Value of Development Projects	$	200,946,000	$	399,500,000	$	600,446,000
Total Jobs		1,336		6,700		8,036
Total Residents		1,084		680		1,764
Net New Jobs		801		4,020		4,821
Net New Residents		122		77		199
New Payroll Impact	$	27,037,000	$	144,819,000	$	171,856,000
Net Annual City Income tax	$	451,000	$	2,417,000	$	2,868,000
Net New Retail Sales	$	19,759,000	$	13,947,000	$	33,706,000
Total Hamilton County Retail Sales Tax	$	198,000	$	139,000	$	337,000
Total Fiscal Impact	***$***	***649,000***	***$***	***2,556,000***	***$***	***3,205,000***
20 Year Present Value of Revenue	***$***	***7,444,000***	***$***	***29,317,000***	***$***	***36,761,000***

Notes:

(1) Includes square footage of parking included in Third Street Area projects.

(2) Source of figures is ERA. This is a conservative estimate due to the fact that ERA's figures are based on slightly lower square footages for the Central Riverfront Area than the latest RAC program indicates.

Riverfront Advisors Comission
Schedule 17
Public Investment in Riverfront Investment Area
($millions)

Costs Per Original Plan	
Street Grid	46
Utilities	15
Parking	135
Riverfront Park	65
FWW Reconfiguartion	282
Reds Stadium	235
Bengals Stadium	403
Freedom Center	90
Subtotal	1271
Additional Costs per Advisors Plan	
Coverings & Plantings over FWW	39
Boardwalk Construction	8
Public Green Spaces	5
Subtotal	52
Total Public Investment in Riverfront	1323

Exhibit A: Riverfront Housing Program Based on Availability in the Year 2003

Preface: The following in a preliminary housing program proposal based on approximately 688,000 square feet of housing in two phases. The purpose of this analysis is to show what is possible based on current and likely housing market conditions over the next several years. The suggested mix between ownership and renting, rental rates, unit prices and sizes will need to be continually reevaluated in line with changing market conditions, interest rates, and competition. Absorption will occur over three to seven years.

Introduction: Housing is the anchor of the overall development plan for the riverfront Banks. Various sizes, amenity and rent levels are contemplated serving a myriad of life styles from the late-night-party type to the in-bed-by-9 p.m. type. There is capacity for approximately 688,000 square feet of housing within the riverfront area. This figure could be expanded or contracted to the extent that less than capacity retail or office development occurs or if some of the currently planned above surface parking is relocated to northern sites.

Housing supports permanent retail and provides a true 24 hours city, unlike sporting event fans, and is thus the most important element of new private market development along the riverfront. Housing, office and retail use may be mixed and there is no reason to preclude European style housing above retail or American style projects that mix office and housing units together. Innovative designs might allow for the same units to become a small office next to or within a housing unit and allow the market to determine the ultimate mix of housing and smaller scaled office use. The potential market for housing will be expanded to the extent that the telecommuter and globe- trotting worker can be accommodated.

We do know that low quality urban schools limits the demand to the young urban professional and the empty nesters at the high end. We also know that designated parking is critical for this market at two spaces per unit allocated for high-end housing and one space per unit for moderate and lower-end housing. But, there is no doubt that more potential demand exists for downtown housing than will likely be supplied by all the pending or proposed developments.

One Single Housing Developer is Key to Minimizing the Need for Subsidies: It is possible that a well conceived housing program would require little or no subsidy. This is the conclusion of Patrick Phillips from ERA, a consulting resource noted below. If a single housing developer is selected there will be sufficient profit margin on the upscale housing and high quality units to offset the lower profit margins for the smaller affordable units. A single developer can also coordinate and react to changing market conditions, modify the mix of planned rental and for-sale units over time and manage a focused marketing program much better than multiple developers. The current proposal anticipates indirect local subsidy via reduced site costs, as well as taking advantage of a number of locally available housing programs (CRA loans, first time home buyer programs, etc.) but no rental subsidies.

Parking and Developer Pad Costs: Dedicated parking is critical for the residential market. Parking must be close, safe, well lit and available 24 hours per day. Drop off delivery locations for groceries, dry cleaning, and other services must be planned into every phase of the housing program.

Parking costs are a concern and the one place where some subsidy might be required is some form of reduced parking costs for residents. The marketability of the units depends on the total cost of both parking, unit rent and other fees, and the higher parking costs run the lower the unit rents must be in order to remain marketable. It is anticipated that the housing developer could contribute $5,000 to $10,000 per housing unit, depending on size and price, with an average of $7,500. One option to reduce resident parking costs is to apply these funds to the reduction in parking fees. Other options are to consider using some of the housing TIF money to reduce parking costs to the residents, based on some formula that directs money to the garage operator. Other options are certainly possible, but high parking costs could stifle housing demand.

Preliminary Unit Types and Initial Owner/Rental Mix: Renters are easier to find and absorb any given number of housing units more quickly than owners. At the same time, per square foot investment values for rental units are lower than those prices per square foot possible from owners. For this reason, an economically successful program will need to maximize the percentage of owned units. Yet, to start with too many owned units that take a long time to sell could result in a negative stigma similar to the problems incurred at Adams Landing just east of the downtown along the river. Thus, a strategy that starts with a less optimistic number of for-sale housing makes sense, while recognizing the benefits of converting some units from rentals to ownership units over time. The key constraint to developing rentals that become owned units are to meet the higher level of building codes necessary for any units that might eventually become owned.

With respect to the renter mix, only the studio/efficiencies are contemplated as 100% longer term rental units, while at the other extreme all of the Penthouses are contemplated as owned units. Note that the suggested sizes shown here are only averages. Rental units' size will probably be near the base case or slightly smaller and the owner units should run at or above the base case as shown below. That is, the sizes shown for cases A and B seem to work well for the rental market and the sizes shown in B and C work well for the owner market. The following table shows the unit types and ownership percent anticipated in the initial program plan. However, this mix is shown for illustration only recognizing that developers will want to tweak the mix and designs based on their own research and the input of local experts.

Unit Type	Percentage of Square Foot Total	Size Range	Percent Owner Occupied
Studio/Efficiency	15%	510 to 650	0%
One Bedroom	25%	750 to 1000	25%
One Bedroom with Den and 1/bath or Two Bedroom units with 2 baths	45%	1000 to 1250	50%
Three Bedroom	10%	1250 to 1750	75%
Penthouses	5%	2500 to 3000	100%

Unit Sizes, Rents, Pricing and Household Affordability Based on Forecasts for the Year 2003

There appears to be demand for several size ranges starting at about 500 square feet up to 3,000 square feet. Rents in the $1.10 to $1.40 per square foot range are supportable with condominium prices in the $180/square foot plus range. Keep in mind that these rents will not begin until 2003. Affordable housing can be achieved by including some smaller than average units in the mix, including some smaller no-frill two bedroom units.

Three ranges of programs are shown below with Plan B as the **base** case. In the base case the average unit size is 1,089 square feet and there are a total of **632 housing units**. In Plan A, the average unit size is smaller at 879 square feet and the total number of units is increased to 783 units. In Plan C the average of all units is 1151 square feet and there are 598 total units. Key assumptions include: Rents are $1.30 per square foot for studios, $1.15 for one and two bedroom units, and $1.10 for three bedroom units. For owner occupied units a 7.5% mortgage rate is assumed with loan to value assumptions at 90% for one bedroom units, 80% for two bedroom units, 70% for three bedroom units and 50% for the Penthouses. One dedicated parking space is provided per unit with additional units available at market rates. The condominium owners would also need to pay monthly association fees for various management/maintenance service

Program A with 783 Units

Unit Type	Ave. Size in Square Feet	Number Units (rental #)	Ave. Rent	Household Income Required in Rental Market	Ave. Condo Price	Household Income Required for Condo
Studio/Efficiency	510	202 (202)	$663	$31,824	NA	NA
One Bedroom	750	229 (172)	$863	$41,400	$ 99,450	$30,039
One Bedroom with Den 1/bath or Two Bedroom units with 2 baths	1000	310 (155)	$1,150	$55,200	$157,500	$42,288
Three Bedroom	1250	55 (14)	$1,375	$66,000	$220,000	$51,686
Penthouses	2500	14 (0)	NA	NA	$687,500	$115,370

Program B, Base Case, with 632 Units

Unit Type	Ave. Size in Square Feet	Number Units (rental #)	Ave. Rent	Household Income Required in Rental Market	Ave. Condo Price	Household Income Required for Condo
Studio/Efficiency	580	178 (178)	$ 754	$36,192	NA	NA
One Bedroom	962	179 (134)	$1,106	$53,102	$113,100	$34,163
One Bedroom with Den 1/bath or Two Bedroom units with 2 baths	1250	248 (124)	$1,438	$69,000	$202,020	$54,242
Three Bedroom	1750	39 (10)	$1,925	$92,400	$275,000	$64,606
Penthouses	2900	12 (0)	NA	NA	$797,500	$133,829

Program C with 598 Units

Unit Type	Ave. Size in Square Feet	Number Units (rental #)	Ave. Rent	Household Income Required in Rental Market	Ave. Condo Price	Household Income Required for Condo
Studio/Efficiency	650	159 (159)	$ 845	$40,560	NA	NA
One Bedroom	1000	172 (129)	$1,150	$55,200	$126,750	$38,286
One Bedroom with Den 1/bath or Two Bedroom units with 2 baths	1300	238 (119)	$1,495	$71,760	$210,000	$56,384
Three Bedroom	1750	39 (10)	$1,925	$92,400	$286,000	$67,192
Penthouses	3000	11 (0)	NA	NA	$825,000	$138,444

Overall Program Mix: The base case B above is seen as the most realistic overall program, yet housing sizes shown are only averages. The actual development program will likely want to include a range of sizes that are larger than case B within the for-sale program and possibly near the sizes in case B for the renter market.